



Department of Justice

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NEW YORK STOCK BROKER SENTENCED TO PRISON IN INTERNATIONAL STOCK FRAUD SCHEME

WASHINGTON - A New York stock broker was sentenced today to 24 months in prison for his role in a wide-ranging international stock fraud scheme involving the illegal use of bulk commercial emails, or "spamming," to promote thinly-traded Chinese penny stocks, announced Assistant Attorney General Lanny A. Breuer of the Justice Department's Criminal Division and U.S. Attorney Barbara McQuade for the Eastern District of Michigan.

Gregg M. S. Berger, 47, of New York, N.Y., was ordered by U.S. District Judge Marianne O. Battani in Detroit to serve three years of supervised release following his prison term. Berger agreed to forfeit \$600,000 to the United States.

According to court documents, Berger conspired with Alan Ralsky, Francis Tribble, How Wai John Hui, Scott Bradley and others to carry out a sophisticated stock fraud scheme from January 2005 through December 2007. Ralsky, Tribble, Hui and Bradley have all been convicted and sentenced for their roles in the scheme.

"Mr. Berger used his position as a stock broker to generate more than \$30 million in illegal proceeds for his co-conspirators, and more than half a million dollars for himself," said Assistant Attorney General Breuer. "Today's sentence reflects our sustained commitment to ensuring the integrity of our financial markets, and to holding accountable those who try to manipulate them."

"Schemes that manipulate stock prices undermine public confidence in the stock market, and can have serious impact on our economy," said U.S. Attorney McQuade.

"Illegal activity involving the investment industry has brought financial ruin to many Americans. IRS Criminal Investigation is pleased to bring our forensic accounting skills to this joint venture to put a stop to this and other types of white collar fraud," said Erick Martinez, Special Agent in Charge of the IRS Criminal Investigation Detroit Field Office.

Berger was indicted in the Eastern District of Michigan in December 2010 and pleaded guilty in April 2011 to conspiring to commit securities fraud and wire fraud.

The charges arose after a multi-year investigation, led by agents from the FBI, with assistance from the U.S. Postal Inspection Service and the Internal Revenue Service (IRS),

revealed a sophisticated and extensive operation that largely focused on running a “pump and dump” scheme, whereby the defendants sent spam touting thinly-traded Chinese penny stocks, drove up their stock price, and reaped profits by selling the stock at artificially inflated prices.

In pleading guilty, Berger acknowledged that he established brokerage accounts at the direction of Hui and Tribble, and communicated with Ralsky and Bradley during the conspiracy. Berger’s role was to trade the stocks that were illegally promoted by spam email campaigns, arrange for shares of the stocks to be transferred into the brokerage accounts, and execute stock trades at the direction of Tribble, rather than the direction of the named account holders. Berger also caused the transfer of the proceeds from the trading of the stocks to bank accounts controlled by the conspirators. He also provided confidential account information, including trade amounts, prices, cash balances and wire transfer details to Tribble, Bradley and others involved in the scheme who were not entitled to such information and did not have authorization from the actual named account holders.

The stocks pumped-and-dumped included China World Trade Corporation (CWTD), Pingchuan Pharmaceutical Inc. (PGCN), China Digital Media Corporation (CDGT), World Wide Biotech and Pharmaceutical Co. (WWBP), China Mobility Solutions (CHMS) and m-Wise (MWIS).

According to court documents, during the course of the scheme, Berger caused the sale of approximately 30 million shares of stock, generating approximately \$30 million for the co-conspirators and over \$600,000 in commissions for Berger.

The case was prosecuted by Assistant U.S. Attorney Terrence Berg of the U.S. Attorney’s Office for the Eastern District of Michigan and Senior Counsel Thomas Dukes of the Criminal Division’s Computer Crime and Intellectual Property Section. The case was investigated by the FBI, IRS and U.S. Postal Inspection Service. The U.S. Securities and Exchange Commission’s Philadelphia Regional Office has provided significant ongoing assistance in this case.

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